## TEXAS DEPARTMENT OF MOTOR VEHICLES BOARD MEETING

Thursday
June 14, 2012

Room 1B.1
Building 150
200 East Riverside Drive
Austin, Texas

## BOARD MEMBERS:

Victor Vandergriff, Chair
Laura Ryan, Vice Chair (not present)
Blake Ingram
Cheryl E. Johnson
Raymond Palacios
Victor Rodriguez
Marvin Rush (not present)
Johnny Walker (not present)

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## PROCEEDINGS

Mr. VANDERGRIFF: Good morning. I am Victor Vandergriff, and I'm pleased to welcome you here today to the meeting of the Board of the Department of Motor Vehicles.

I'm now calling the meeting for June 14, 2012, of the Board of the Texas Department of Motor Vehicles to order, and I want to note for the record that the public notice of this meeting, containing all items on the agenda, was filed with the Office of Secretary of State on June 5, 2012.

Before we begin today's meeting, please place all cell phones and other communication devices in the silent mode.

And if you wish to address the board during today's meeting, please complete a speaker's card at the registration desk in the back of the room. To comment on an agenda item, please complete a yellow card and identify the agenda item. If it is not an agenda item, we will take your comments during the public comment portion of the meeting.

And now I'd like to have a roll call of the board members.

Board Member Ingram?

MR. INGRAM: Present.

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1	MR. VANDERGRIFF: Board Member Johnson?
2	MS. JOHNSON: Present.
3	MR. VANDERGRIFF: Board Member Palacios?
4	MR. PALACIOS: Here.
5	MR. VANDERGRIFF: Board Member Rodriguez?
6	MR. RODRIGUEZ: Present.
7	MR. VANDERGRIFF: And I, let the record
8	reflect, Victor Vandergriff am here as well. We do have a
9	quorum. Board Members Rush, Ryan and Walker are not
10	present.
11	I do want to note that our ninth member has
12	been appointed to the board. He has just been announced
13	this last week and still has some training to go through
14	before formally sitting with us, but I want to welcome Art
15	Barnwell, who is here in the audience.
16	And so please congratulate him on his
17	appointment to the board. We look forward to working with
18	you going forward in the future.
19	We also, at this time, do have a couple of
20	employee recognition items that I want to move to the
21	forefront of the agenda, and at this time I'd like to have
22	Dawn Heikkila come up, please.
23	MS. HEIKKILA: Good morning, Mr. Chairman,
24	members. My name is Dawn Heikkila and I'm the chief
25	operating officer for the Department of Motor Vehicles.

I wanted to visit with you a little bit about the county equipment project. That project is completed, and I wanted to kind of give you a feel for what the staff was able to accomplish over the last year.

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We came to you in April of 2011 with this project, multiple options for how we were going to address the need to deploy new equipment to our county business partners. You made your selection, you set a budget, and we went back and we tasked the staff with accomplishing a project that would replace PCS, monitors, keyboards, mice, printers, networking equipment, cabling in nearly 500 sites across the state, 497 individual locations in all 254 counties.

The project planning involved multiple people from within the agency, outside the agency, we had the IT team, the regional people, VTR staff, the agency, the county TACs, the tax assessors themselves, their staff, we had our third party deployment vendor and we had technical support from the legacy organization from TxDOT. It really did take the entire team to get this project off the ground and get it accomplished. And what they were actually able to do in a twelve-month period is pretty phenomenal.

And I have a couple of visual posters, if you're interested in seeing them, kind of where we

When the project first got started we had a lot started. of outdated cabling, we had networking that didn't really work. The yellow sites are the ones that required all new cabling to be pulled. The green sites for the most part we believed were running ethernet cabling at the time. What we found when we got into the project is the universe was much larger than what we originally assumed, so some of the green sites even had to have cabling done. orange dots represented some particular challenges. are historical building sites, so deploying equipment in a historical building has its own challenges, you can't just run cabling anywhere you want to, there are certain quidelines and standards you have to abide by. And then what we were able to accomplish, again, is you'll notice my little board everything is nice and green, so everybody has all their new equipment.

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And the deployment actually took 29 weeks, the boots on the ground deployment, so in 29 weeks they deployed over 2,633 complete work stations which is the PCS, the monitors, the keyboards, the mice, the printers. They pulled cabling nearly, as I understand it, over 18 miles worth of cabling. They traveled over 200,000 miles across Texas to get this deployment project going. We had three member that lost family members during the deployment, but the team stayed focused. We had two that

had births. You know, Jeremiah did a great job helping with the scheduling, and we were really grateful that he was able to delay the birth of his son so we could get this project done. I'm not sure how Patty feels about that.

(General laughter.)

MS. HEIKKILA: Anyway, so we got that done. We had team members that had to have new sets of tires put on their car, they suffered through tornadoes and ice storms and just all kinds of stuff. The project got off to a really bumpy start but the team did a phenomenal job.

And I'd like to take a minute to have the team, I have some of our technical team here, and I'd like to acknowledge their contributions because we couldn't have gotten the project done without it truly being a team effort. And I talked about this at the TAC conference earlier in the week in Amarillo, because it's really important to let everybody know it was a group effort and we couldn't have done it if we hadn't pulled together as a team, and it's not just the DMV team but the TxDOT folks, our vendor and our county business partners.

So I'd like the team members that I have here to stand up. I've got Gary Gordier is our CIO. I've got Ann Pierce was the primary project manager for the DMV side. Jan Maynard did the inventory and asset management,

inventory control. That was another byproduct of this effort is we now have a very pristine set of inventory records and a circuit map so we know exactly what T-1 lines we have, where they're at and what we need to be paying for. Oscar Dominguez, Henry Holguin, Rebecca Mason, Mary Coffman -- and we had a wedding during the project, Mary got married -- Tom Loyd, Don Sliva -- is he here -- Jonathon Catron, Ray Rawehl. And did Mark Reyes show? No.

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These folks did an incredible job and I would really like you to join me in thanking them for their contributions. When this project started, these folks didn't believe we could do it. They were telling me for the first three or four months, we can't do this, we can't do this, but we did it and they did it, and they did it because they thought critically about how we were going to approach the project, they came up with some pretty darn creative problem-solving techniques and ideas on how we were going to get this thing off the ground. And they worked together, they put in a lot of long hours. A lot of the deployment happened between five o'clock and 2:00 a.m., and all I had to do was sit there and read the emails that came across in the middle of the night. But they were the ones, boots on the ground, driving across the state, getting the project done, and I think they did

a phenomenal job and deserve to be recognized.

(Applause.)

MR. VANDERGRIFF: And Dawn, I want to note too that you deserve some special praise as well. Thank you for your leadership and effort on this, as well.

MS. HEIKKILA: Thank you.

MR. VANDERGRIFF: Jeremiah missed your joke about him, he was not in the room at the time, but he does get the last word because he has the second piece that we wanted to make sure and cover with the board here today.

So Jeremiah.

By the way, for your information, the joke was it was actually sort of a compliment, she thanked you for your great effort in preventing the birth of your second child during this county refresh effort.

MR. KUNTZ: He eventually came out, though.

The one thing that we wanted to go ahead and let you all know about, if you saw, there's a box in front of each one of you, we went out and got some coffee mugs for our TAC conference. Usually we give stuff out at the TAC conference to give the county tax assessors to come to the booth and talk with us and kind of get our marketing message out to them. The coffee mugs you see here today have the mission statement on the back of them, and we are going to be using those with employees as they participate

in different events and do outstanding work for the 1 2 agency. 3 Yesterday, we actually presented them for the first time to a group of employees that were working on 4 some recommendations from the survey or organizational 5 6 excellence. They did a bunch of great work on putting 7 together proposals on how to move some projects forward. Our HR staff is doing some training with them to help 8 change the culture on how we approach projects and work 9 10 together. So these are just some things that we're doing 11 to try and help create a good culture within the agency 12 13 and make sure that everybody understands our mission and vision statements. 14 15 MR. VANDERGRIFF: Thank you very much. 16 Appreciate it. The employee groups did a great job in working 17 up some solutions and I look forward to seeing how those 18 19 work out. With that, we'll move into the meat of our 20 agenda, and our first item is the consent agenda. 21 22 Mr. Harbeson. MR. HARBESON: May I proceed? 2.3 24 MR. VANDERGRIFF: Please. 25 MR. HARBESON: Good morning. My name is Bill

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Harbeson. I'm here to present the consent agenda to you.

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The consent agenda today is 106 agreed orders, 60 NODs which are the citations our investigators write for minor violations in the field, 18 dismissals, 13 Lemon Law settlement cases and dismissals, and five franchise cases and dismissals.

Before proceeding, I'd like to just draw your attention to item 14 which was the Mission Chrysler case, and that's because this was a fairly well covered case in San Antonio. We had a dealership essentially shut its doors one day leaving a lot of consumers out in the lurch.

Our investigators got involved in this, notably, John Gonzales and our attorney Mike Cady worked on this case, and a lot of these cases there's really not a whole lot the agency can do, but working with the buyer of this franchise dealership, San Antonio Dodge, we were able to secure in the area of \$1.8 million to lenders for unpaid liens, and these were consumers who traded in vehicles thinking that their lien would be paid off on the trade-in and that did not happen, so all of a sudden they're being billed for both the new vehicle and the old vehicle. There was \$30,000 in reimbursement to those same consumers for these double payments that were made. W3 had \$500,000 in sales tax we were able to secure, \$40,000 for unrefunded down payments, \$416,000 to another lender,

and for unpaid insurance policies, \$101,000. 1 And the reason I wanted to bring this to your 3 attention is that the buying dealer stepped into this case and really put their heels down and said we don't want to 4 inherit this mess and take care of our new community that 5 6 they're coming into and helped us tremendously in 7 essentially withholding dollars going to the selling dealer to make sure these consumers and the taxing 8 agencies were taken care of. 9 10 So with that said, I'm asking for approval of the consent agenda, the 106 agreed orders, 66 NODs, 18 11 dismissals, 13 Lemon Law settlement and dismissals, and 12 five franchise dismissals. 13 MS. JOHNSON: So moved. 14 15 MR. VANDERGRIFF: We have a motion from 16 Director Johnson. Do we have a second? MR. RODRIGUEZ: Second. 17 MR. VANDERGRIFF: Second from Director 18 19 Rodriguez.

All those in favor, please raise your right hand in support.

(A show of hands.)

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MR. VANDERGRIFF: The motion carries unanimously of the board members present.

Thank you, Mr. Harbeson, and please give our

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special thanks to the San Antonio dealer who stepped up.

MR. HARBESON: I'm going to do that, sir.

Thank you.

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MR. VANDERGRIFF: Next item on the agenda is the warranty performance proposals. Mr. Gladney.

MR. GLADNEY: Good morning. Mark Gladney for staff.

With regard to these three cases I have to present to y you today, there has been no notification from the parties that they would be in attendance and make comments on them. The first 2 cases, 3.A.1 and 3.A.2 involving Waco Motor Sports v. Titan Imports, I'd like to take those two together since they're both interrelated and involve a question of standing to invoke 204 relief by a licensed dealer.

With regard to the first case 11-0285 and the second case 11-0286, the complainant is a licensed dealer who was seeking repair relief for two all terrain vehicles for which there were attempted sales to two different retail purchasers. The sales in both cases fell through due to the failure of the ATV to actually operate at the time of the sale, so the complainant is seeking reimbursement for warranty repair work.

A hearing convened on both of these cases on January 5 as SOAH consolidated both of cases since they

were about the same issue to determine whether or not the 1 2 respondent failed to repair to warranty standards and to 3 determine whether or not the complainant was entitled to relief under 2301.204. The SOAH ALJ determined that the 4 dealer is not an owner as defined under Subchapter E as it 5 6 refers more to retail purchasers. The SOAH ALJ. The SOAH 7 ALJ referenced Subchapters I, J and K in Chapter 2301 of 8 the Occupations Code as more appropriate areas in which a dealer, a licensed dealer could obtain relief. Therefore, 9 the ALJ recommended dismissal of these actions. 10 Staff concurs with the PFD and asks for 11 12 approval of the proposed orders as directed in your packets in 11-0285 and 11-0286. 13 MR. RODRIGUEZ: So moved, Mr. Chairman. 14 15 MR. VANDERGRIFF: I have a motion on the first 16 two items under the warranty performance proposals. 17 have a second? MR. PALACIOS: Second. 18 19 MR. VANDERGRIFF: Second from Member Palacios. All those in favor, please raise your right hand. 20 (A show of hands.) 21 MR. VANDERGRIFF: The motion carries 22 unanimously. 2.3 24 MR. GLADNEY: Now, the third case, McMaster v.

Chrysler, MBD Cause Number 12-0100, in this case the

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complainant was seeking repair relief for alleged defects in a 2010 Dodge Ram Truck. There were complaints of leaking coolant and also needed a second replacement of a cylinder head and gasket.

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The respondent contended that the engine warranty was voided because the complainant put some after-market components, specifically an XTR Properformance component that's generally just used for racing purposes, and the respondent contended that that voided the warranty.

The hearing was held on March 8, 2012 at SOAH.

The ALJ determined that there as no evidence of a

warrantable defect. In fact, the SOAH ALJ made a finding
that the problems were most likely caused by the aftermarket improvements. The PFD recommended dismissal.

Staff concurs with the PFD and asks for approval of the
proposed order as found in your packets.

MR. VANDERGRIFF: Do we have a motion?

MR. RODRIGUEZ: So moved.

MR. VANDERGRIFF: We have a question.

MS. JOHNSON: If I could ask a question.

There's incorrect statutory references. Do we need to do anything with regard to it? And I see some X-ing out on the agenda item. Do we need to incorporate any of these changes into our motion, or are we good just approving it

1	as it's presented since it's crossed out?
2	MR. RODRIGUEZ: You're asking us to approve the
3	final order portion of it?
4	MR. GLADNEY: Yes, actually to approve the
5	final order.
6	MS. JOHNSON: The final order. Okay. Thank
7	you.
8	MR. VANDERGRIFF: Do we have a motion?
9	MR. RODRIGUEZ: So moved, Mr. Chairman.
10	MS. JOHNSON: I'll second that.
11	MR. VANDERGRIFF: We have a motion from
12	Director Rodriguez and a second from Director Johnson.
13	All those in favor please raise your right hand.
14	(A show of hands.)
15	MR. VANDERGRIFF: The motion carries
16	unanimously of those present.
17	MR. GLADNEY: That is all I have at present.
18	MR. VANDERGRIFF: Okay. Mr. Harbeson, I guess
19	you're up again on the franchise case under 3.B.
20	MR. HARBESON: Yes, sir. Again, my name is
21	Bill Harbeson. I'm the director of the Enforcement
22	Division.
23	This is Case 12-0006. Dallas Motor Sports
24	filed an application with us for picking up two new lines
25	of vehicles, Peace Sports and JCL. A protest was filed by

an existing dealer. Accordingly, a hearing was scheduled. The applicant, Dallas Motor Sports, did not appear at the hearing. Under the law, Dallas Motor Sports has the burden of proving their ability or their worthiness to accept these new lines and serve the public by taking on a new franchise.

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SOAH dismissed the case and that's all they did. Upon receipt of the case, we determined that because the underlying issue, that is that Dallas Motor Sports had not met its burden under the statute to establish the new franchises, we determined that an order should be presented to you making findings of fact to that point, that is, that they did not meet their burden, and that is the order in front of you. The order also concludes that the application for these two new lines be denied because they had not met their burden.

We, again, are asking that you approve the order as presented to you.

MR. PALACIOS: Mr. Harbeson, a question. Did they not meet the burden because he didn't show up, or did he just not respond?

MR. HARBESON: He did not show up, yes, sir.

And SOAH, rather than making findings that they didn't

meet the burden, just ended the case. And that doesn't

really take care of our underlying issue because we have

an active application for these franchises and we have to 1 dispose of that issue of whether or not this application 3 should be granted or denied. And so we have two options of either going back to SOAH and have them reopen or just 4 present an order here to you today. 5 6 MR. VANDERGRIFF: Did anybody talk to this applicant? 7 8 MR. HARBESON: No, sir. There was no response 9 to the dismissal, no response to us sending out the notice 10 of the meeting today. MR. VANDERGRIFF: Anybody call him? 11 MR. HARBESON: No, sir. Well, I say no, and I 12 13 can't say that definitively whether or not. In most of these cases when we have abandoned applications, staff is 14 15 making telephone calls and other attempts to try to get hold of them. 16 17 MR. INGRAM: The SOAH case was in February? MR. HARBESON: Yes. 18 19 MR. INGRAM: So it's been a while. 20 MR. HARBESON: Yes. MR. RODRIGUEZ: Move we approve, Mr. Chairman, 21 22 the proposal. MR. VANDERGRIFF: We have a motion to approve 2.3 24 the order as written. Do we have a second?

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MS. JOHNSON: I'll second it.

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1	MR. VANDERGRIFF: We have a motion and a
2	second. All those in favor please raise your right hand.
3	(A show of hands.)
4	MR. VANDERGRIFF: The motion carries
5	unanimously. Strange case, though.
6	MR. HARBESON: My title in my notes here is:
7	This is a little unusual.
8	MR. VANDERGRIFF: Yes.
9	All right. I think we're on item 3.C.
10	MR. HARBESON: Yes. Today before you are
11	twelve motions for disposition. These are cases where a
12	notice of hearing was sent to the licensee after a hearing
13	was scheduled. They failed to appear at the State Office
14	of Administrative Hearings. The case then is dismissed
15	from SOAH and brought back to the agency to present to you
16	with a recommended order in each of these cases, and there
17	are twelve today.
18	We are asking that you approve the orders as
19	presented to you.
20	MR. VANDERGRIFF: I don't see any questions. A
21	motion?
22	MR. RODRIGUEZ: So moved, Mr. Chairman.
23	Mr. VANDERGRIFF: We have a motion from
24	Director Rodriguez. A second?
25	MS. JOHNSON: I'll second it.

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MR. VANDERGRIFF: Second from Director Johnson. 1 All those in favor please raise your right hand. 2 (A show of hands.) 3 MR. VANDERGRIFF: We are now past this portion 4 of our agenda and on to item number 4 which are some 5 6 resolutions for consideration on rules. 7 Mr. Gladney. MR. GLADNEY: Once again, Mark Gladney, for the 8 record. 9 10 MR. BRAY: Excuse me. For the record, would 11 you mind notating that the vote was unanimous? 12 MR. VANDERGRIFF: Yes. I thought I did, so I 13 apologize. The vote was unanimous on the previous item, which was 3.C. I apologize for not doing that. 14 15 Go ahead. 16 MR. GLADNEY: Once again, Mark Gladney, for the 17 record. Staff is here to present for your consideration 18 19 for adoption Chapter 15, Motor Vehicle Distribution, Subchapter G, Lemon Law rules. The packet that you have 20 in front of you, the only changes that have been made 21 22 post-publication was a reference to a cross-reference and that would be under 215.208 entitled Lemon Law Relief 2.3 24 Decisions, and that would be under subsection (c), and

that change only involved a correction to a cross-

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reference to be consistent with a *Texas Register* requirement.

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And then there was an additional change that was under 215.210, subsection (4), and that was simply to replace the word "director" with "department" on line 18 and line 21 on page 25 of 27 in the rule.

And then there was a subsequent change on pages 26 at the bottom, line 22 and page 27, line 1, and that was simply to remove that language that referred to the Motor Vehicle Division director since there had been multiple changes from the Motor Vehicle Division director references to "department."

With those changes, staff is asking for approval of Subchapter G rule changes by the board.

MR. VANDERGRIFF: And some of the effect of these changes, some of the stuff we see currently could be handled administratively. Is that correct?

MR. GLADNEY: Yes.

MR. VANDERGRIFF: So I want to make sure the board understands that. We pushed that in the last legislative agenda to correct that so that some of these things could move a little faster, and the legislature agreed with that recommendation, so now we're getting the rules posted.

MR. GLADNEY: Yes. And I might note that one

of the reasons for the changes here, or certainly one, was to be more consistent with the changes that the legislature wanted to have put forward, and also to streamline the process because in the Lemon Law section we had been noting some similar problems that were encountered by parties, and these rules were changed in order to address those to make it simpler for both consumers and for manufacturers, distributors, converters to actually do a Lemon Law action.

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And it also makes it a little bit easier for us to settle these cases, as well, and make any modifications that are necessary to promote settlement and to promote the actual execution of the final orders, whether they come from the Motor Vehicle Division director or they come from you.

MR. VANDERGRIFF: But the effect is these cases won't be before us once this change goes through.

MR. GLADNEY: Well, there is an option here in the rule where you can delegate that to the executive director which I'm sure would probably make you kind of happy.

MR. VANDERGRIFF: And we will look forward to updates of how the process is going when that comes before us or happens.

MR. GLADNEY: Thank you very much. And I'd

1	also like to note that we had disseminated this
2	information, these proposed rules to the stakeholders.
3	We had disseminated it out to approximately 33
4	stakeholders during the drafting process, and we didn't
5	get very many comments, but what comments that we did get
6	were very positive. So we'd like to thank the industry
7	for providing their help on these rules as well.
8	MR. VANDERGRIFF: Thank you very much.
9	MR. RODRIGUEZ: Question. Again, these are
10	consistent with HB 2017?
11	MR. GLADNEY: Yes.
12	MR. RODRIGUEZ: And number two, these are for
13	adoption today, as opposed to I thought I heard the
14	chairman say posting, but these are for adoption.
15	MR. GLADNEY: These are for adoption.
16	MR. VANDERGRIFF: That was my mistake.
17	MR. RODRIGUEZ: Move we approve, Mr. Chairman.
18	MR. VANDERGRIFF: We have a motion. Do we have
19	a second?
20	MS. JOHNSON: I'll second it.
21	MR. VANDERGRIFF: Motion from Director
22	Rodriguez, a second from Director Johnson. All those in
23	favor please raise your right hand.
24	(A show of hands.)
25	MR. VANDERGRIFF: Those opposed.

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(No response.)

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MR. VANDERGRIFF: The motion carries unanimously. Thank you, Mr. Gladney.

MR. GLADNEY: Thank you.

MR. VANDERGRIFF: Mr. Harbeson, 4.B.

MR. HARBESON: Yes, sir. My name is Bill
Harbeson, director of the Enforcement Division and interim
director of the Motor Vehicle Division.

I'm here today requesting permission to publish a second set of rules dealing with the dealer licensing streamlining project. As you know, Mr. Ingram's committee met and prepared a long list of needed changes to the code that are currently published and we're waiting for the time to expire to where we can present it to you for adoption, but this is a second set that came out of Mr. Ingram's meeting and other ideas that we had on how to streamline the process and also try to implement some of the legislative mandates that came out of not only this session but the last session.

You have in front of you an executive summary of the changes, but I'd like to point out what I consider to be the most important. In 215.82 we're implementing Occupation Code 55.002 which came out of the last session of the legislature which requires licensing agencies to provide for no penalty for active duty service members

that are licensed in Texas but serving outside of Texas and allows us to continue them without penalizing them for their service.

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The second section is a fairly dramatic change to our practice, and it provides that if a timely and sufficient application is submitted for renewal by one of our licensees that his license or her license will continue and not expire automatically. And we were faced with a situation where on let's say the day before we may receive a good application with everything we needed, but under the existing rules the license would stop being active, he would have to cease doing business. This would allow our licensees, if they give us everything we need before the expiration date, to continue in business.

In 215.86 we provided a mechanism by which if we're working on an application and the problem is we're just not getting any response, they've abandoned it, it allows us to deem the application abandoned and take it off the books. And as you may be aware, one of the projects we're working right now is 100 such applications that are in the queue but we can't get a response from anybody on them and they just remain in the queue, neither denied or approved, and this provides a mechanism for doing that.

In 215.112 we've implemented changes that came

out of the last session dealing with a slight amendment to 1 the Blue Law that allows motor home dealers at an 3 authorized show to quote the prices of a vehicle that they have there. They're currently not allowed to do that on 4 Sunday if they're working Saturday, and it's just fairly 5 6 impractical because you have a dealer with both motor 7 homes and towables, he can quote prices for the towables 8 on both days but not currently can he quote a price for a motor home at the show on that Sunday. So while it 9 10 doesn't allow him to sell it, it does allow him to quote a price on that second day. And this is, again, coming out 11 of the last legislative session. 12 13 Staff today is requesting permission to publish this set of proposed rule changes. 14 15 MR. VANDERGRIFF: Do we have any questions? 16 we have a motion? 17 MS. JOHNSON: I'll move to approve publication. MR. VANDERGRIFF: We have a motion by Director 18 Johnson. Do we have a second? 19 20 MR. INGRAM: Second. MR. VANDERGRIFF: Second by Director Ingram. 21 All those in favor please raise your right hand in support 22 of the motion. 2.3 24 (A show of hands.)

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MR. VANDERGRIFF: The motion carries

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unanimously.

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I want to thank you personally. This is good work, some much needed improvements coming.

MR. HARBESON: This was sort of a group effort, and again, Michelle did the lion's share of the work on drafting these rules for us.

MR. VANDERGRIFF: We now have Mr. Elliston on item 4.C.

MR. ELLISTON: Good morning, Mr. Chairman and members. For the record, my name is Randy Elliston. I am the director of the Vehicle Titles and Registration Division.

You have before you today our request to withdraw and repropose the rules under Title 43, Texas Administrative Code, Chapter 217.

At the April board meeting you adopted identification requirements to apply for certified copies of titles. The documents accepted had to contain a photograph, contain a unique identification number and be current. Current was defined at that time as within six months of the expiration of the identification document. The documents accepted included driver's license or state identification certificate issued by a state or territory of the United States, a United States or foreign passport, a United States military identification card, a North

Atlantic Treaty Organization identification, or identification issued under a Status of Forces Agreement, or the United States Department of Homeland Security, United States Citizenship and Immigration Services, or United States Department of State identification document.

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At that same time the board declined to adopt identification requirements for titles and initial registration. Also in April, you proposed amendments to Section 217.3 and 217.22. Those proposed rules did not contain amendments related to identification, they contained other changes due to the passage of House Bill 2357.

What we propose today is to withdraw the amendments proposed in April in order to repropose Section 217.3 and 217.22 with identification requirements. The proposal today is to adopt the same identification requirements for application of title and initial registration and to add that the document must also have an expiration date. However, a person who holds a general distinguishing number issued under Chapter 503 of the Transportation Code or Chapter 2301 of the Occupations Code is not required to submit the owner's identification but must retain the owner's current photo identification in the purchase and sales records as required under 43 Texas Administrative Code, Section 215.144.

In addition, the amendments contain a provision for payment of a \$15 administrative fee for bonded titles and a procedure for an appraisal process.

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A new procedure is created that may be utilized when all parties agree to rescind a new vehicle sales transaction. The department may rescind, cancel or revoke an application for a title if signed notarized affidavits from all parties are presented within 21 days of the initial sale. If the vehicle has been in the possession of the purchaser, the procedure does not negate the fact that the vehicle has been subject to a previous retail sale. The dealer will disclose to the subsequent purchaser that the vehicle was subject to a prior retail sale and the effect, if any, the prior retail sale has on the warranty coverage of the vehicle.

The amendments include requirements for the display of license plates on the vehicles, and these requirements were developed in consultation with DPS.

Other amendments allow a child support agency to give the department notice of a child support delinquency in order for a denial flag to be placed on the registration renewal.

The amendments adopt a list of evidentiary items sufficient to establish good reason for delinquent registration, and there are fiscal implications of the \$15

bonded title. This fee offsets our cost for issuing these rejection letters.

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There are also negative and positive fiscal associated with the identification requirements. There is an estimated loss of 1 percent of sales to the used motor vehicle industry, but an overall \$270 million net positive fiscal impact on the state over the next five years.

I recommend that the amendments to Section 217.3 and 217.22 be posted for public comment. As I said, there's a lot in this. Some of these were posted previously, they're out for public comment and we have to pull those back and repropose them to be able to add the identification in at this time.

MR. INGRAM: Mr. Chairman.

MR. VANDERGRIFF: I was going to say if there are any questions, I figured there were. Mr. Ingram.

MR. INGRAM: Well, my question is at the last meeting where we discussed this, we talked about putting together some statistics. I know that the dealer association presented their own testimony that, quite frankly, we looked at and we were unsure of, and we kind of tasked the agency to go back and develop some of our own statistics, and I'm concerned about proposing these rules again so quickly when that hasn't been presented to the

association that had their own study. So it's kind of a thumb in your eye, so to speak, to the association that they're not going to get that, we're going to go ahead and repropose this.

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Now, I realize this is just proposing the rules, there will be a comment period, but I'm curious as to the timing. I feel like that you're just really rushing to get this back on the schedule, and perhaps there's a good reason for that.

MR. ELLISTON: Well, it absolutely wasn't a thumb in their eye, if it may have appeared that way. However, the way we have to do rules, because of the proposal procedure and the time period that's in there, it takes quite a bit of time to do this. If you vote today to put these out for public comment, the earliest I would estimate they could be taken up would be August before you could consider them for some type of final adoption.

The agency has been engaged in a significant study to bring good information to the board. I believe we're very close to having that ready for you. We will certainly share that with the associations at that time. We don't want to do that or enter into conversations with them regarding this prior to the board having this information. As soon as we get that to the board, then we would be more than happy for them to have it and look at

it and have every opportunity to comment or meet with us 1 regarding our study and the information that we have. 2 3 MR. PALACIOS: Mr. Elliston, you made comment to fiscal impact. Is that part of the study that you're 4 alluding to? 5 6 MR. ELLISTON: Yes, sir. The information that 7 I provided here, we're required to post that there is a 8 fiscal impact. The study that we did does indicate these figures that I've provided to you. 9 10 MR. PALACIOS: So the study is already complete? 11 12 MR. ELLISTON: The study is very near complete. 13 It's in draft form, it's just a matter of putting some little minor tweaks on it, and I think it will be ready 14 15 for the board at that point. 16 MR. PALACIOS: In August. MR. ELLISTON: 17 No, sir. You'll get it well before that. 18 19 MR. VANDERGRIFF: Ms. Johnson. 20 MS. JOHNSON: And I'm going to take a somewhat different position. I thought that there was some very, 21 22 very good statistical data included with this presentation with regard to the impacts, I saw a lot. As a matter of 2.3 24 fact, I probably will use a lot of this information in

public presentations over the next couple of years because

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there really was some good statistical information. There's a lot of pages here, there were 20 pages of information, but you can see I flagged a lot of it.

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I had a different concern. I don't remember seeing this in the original rules so maybe it got by me, but the \$15 administrative fee for bonded titles, I want to express my concern, at least put it out there to the board -- and I guess we can take public comment, which I don't know if the board members can give public comment -- but I'm adamantly opposed in this economy to increasing a fee or a tax. I do see that you addressed that there is going to be an economic burden, perhaps on small business, but I think in the bonded title situation that's going to be on the people that are already having to come up with a bond.

I understand it's to cover the cost. We thankfully, because I checked with my staff to see how much time do we spend on bonded titles, we spend a lot more time on title hearings than we do on bonded titles. And I do know it's burdensome. I just think it's a bad time to be creating that fee, so I will not be surprised if the board chooses to publish this with the \$15 fee that there will be some negative feedback on that. Can you address that a little bit?

MR. ELLISTON: Yes, ma'am. That was actually

in the -- it is posted out there for public comment at this time with the \$15 in there.

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On the bonded title, how that process works, when a person can't get ownership documents for whatever reason, they will come to us and present whatever it is that they have, but because they've gone to the county, they don't have sufficient information, they come to us, we check the records, we look at what they have and we issue what we call a rejection letter. This letter basically says that you don't have sufficient ownership documentation to be able to be issued title or ownership of the vehicle.

When we issue that, we also then have to notify the person of record who is in our database, so we actually send out a communication letter to those folks saying someone is trying to get a bond to take ownership of this vehicle. So we do that for them at that point too, so it is kind of a lengthy process. They go get their bond and they come to the county, and then it comes back through our title process at that point. That's the reason that that's in there. Today there is no charge for that service. That's the explanation.

MS. JOHNSON: And you haven't received any feedback on that \$15 fee?

MR. ELLISTON: To my knowledge, we haven't

received any feedback on the \$15. Let me ask Jennifer. 1 We have not received any comment back on that item. 2 3 MS. JOHNSON: I think several of us were very distracted with the ID issue and that received a lot of 4 push, and so as I said, it could have slipped by me 5 6 before, and apparently it did because the focus was 7 somewhat different, but I kind of honed in on that one 8 with some concern. But thank you very much for that 9 explanation. 10 MR. RODRIGUEZ: This is a proposed rule. Right? 11 MR. ELLISTON: Yes, sir, just proposal for 12 13 public comment. MR. RODRIGUEZ: Provided that we vote it out 14 15 today, my question would be -- and I don't mean to fix it 16 now -- what is a current photo ID mean, what does current mean? 17 MR. ELLISTON: Well, current as defined in this 18 19 rule is a document that hasn't been expired for longer than six months, so if you use a driver's license. And 20 our reasoning behind that is for our purposes --21 MR. RODRIGUEZ: I'm good. I just wanted to 22 make sure we had it clear. 2.3 24 MR. ELLISTON: Not longer than six months. 25 MR. INGRAM: One of the things that I wanted to mention to the board and to staff is that I took a quick look at my own business to see how I would fall in this. Currently and just last month in May, I looked up 242 applications, approximately 6 percent of them would have had to be turned down because they did not have an ID within the last six months. If you expand it to twelve months, I only had one. So I know it's a very minor point but it is 6 percent of my business in one month, and I don't think it makes a dramatic impact to the goal of the agency which is to get proper ID on who that person is. So if it could be done, I would like to see that expanded to twelve months in which case almost everyone would fit.

MR. BRAY: Two comments. The first would be if that's going to be something for consideration, you might want to consider leaving it at six now and think about moving it to twelve at adoption because you can do that, whereas, doing the other might be difficult, if not impossible. That's comment one.

And the second one is if, as you say, you do vote this out today, I wonder if we could get latitude to adjust the language just a little bit on current, because I don't like the wording on current, it doesn't say exactly what he said, and what he said is what everybody intends, we just need to get it to that point.

MR. RODRIGUEZ: And I'm not opposed to the

twelve, and we can make that later. I'm concerned with simply making sure that we've got someone -- that the identification is somewhat relatively certain, whether or not they're six months or twelve months out from having gone back and replaced it.

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MR. INGRAM: And my thoughts on posting it with twelve months is simply that it's one less thing for people to comment about that would be negative, and so I think it's a wise move on the board to go ahead and do it at twelve months at post so that it's one less thing.

MR. RODRIGUEZ: You're suggesting not to because we'd have to undo some stuff now, or can we do that twelve months adjustment now?

MR. BRAY: It's certainly your call, and the point is well taken that it might create more comment. My point was simply if you publish at six months and then in the course of the public comment and your deliberation --

MR. RODRIGUEZ: At adoption we can change it.

MR. BRAY: Yes, sir. You decide that it should be twelve months, you can do that, but if you publish at twelve months and in the course of your discussion and at deliberation you decide it should be six months, we get to republish and start over once again.

MR. INGRAM: But I'm not certain why and I can't fathom a reason why we would go okay, we can't do it at

twelve from comments, we do it at six. I mean, I don't 1 2 see a reason why you would need to ever look at it and go 3 well, we need to change it back to six, we've got to pull it down and repost. So my thinking is just let's try to 4 make this as easy as possible, and twelve would make that 5 6 easiest. 7 MS. JOHNSON: Can I ask a question? When these 8 are published, the language that precedes it, is that 9 included? Like the explanation that we received, the 20 pages of explanation that we received, is that included or 10 is that available for people to see anywhere, and can that 11 be adjusted to explain what the department would consider 12 13 current? MR. ELLISTON: You're talking about the rules 14 15 themselves. Yes, ma'am, those are published. 16 MS. JOHNSON: I know that the rule changes are, 17 but the 20 pages of documentation that we got in advance of what's actually changing, that is published? 18 19 MR. BRAY: The preamble is published. MS. JOHNSON: That is published? 20 MR. BRAY: The executive summary isn't exactly 21 published but it's public record. I'm not sure which is 22

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published, does it create an issue with the republication

MS. JOHNSON: Well, if the preamble is

which.

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Because the preamble isn't as significant, is it, as the specific language? What I'm looking for is to clarify in the preamble rather than the rule if that would keep us from having to start from ground zero again, and to avoid additional comments that maybe we can avoid.

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MR. ELLISTON: I would think that they would have to be consistent because the preamble is talking about the rule, so I would think it would have to be consistent.

MS. JOHNSON: So we can't clarify there without republishing?

MR. BRAY: In what way would you want it clarified?

MS. JOHNSON: Define current in the preamble, rather than going into the language, and we can definitely change it in the language at adoption. What I'm looking for is something halfway between.

MR. ELLISTON: Well, I think we're probably looking for a motion to make that minor change on the current piece of it so that that can be fixed now before it goes out for posting. As far as the six or twelve months, our interest in the time frames is more as long as the identification that we're using is still available to identify the person, like a driver's license is going to

be available in 12 months, so that's our goal. The six months actually was added on at the request of industry early on. So if it's something that needs to be tweaked, by the time we get to the end of the period we can certainly fix that during the comment period, or if you want to do it today, I wouldn't have a great objection to it.

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MR. BRAY: Member Johnson, what I was talking about is different from the six versus twelve issue, and I think Chief Rodriguez identified it as well. I'm talking about just the way it's worded because it says within six months, and to me that could be before or after, and I just wanted to fix the language so it's a little tighter and says what he says.

 $$\operatorname{MR}.$$  ELLISTON: Not to exceed six or twelve or whatever months we put on it.

MR. BRAY: After expiration.

MR. RODRIGUEZ: Mr. Chairman, I move that we approve for posting the proposed rules under Title 43, Chapter 215, 215.82-215.83, 215.86 and 215.112.

MR. VANDERGRIFF: I don't know if she's able to pick it up, you may have to speak a little louder. Were you able to pick that up? Okay.

MR. RODRIGUEZ: With the suggestion that Brett Bray has made to us to reflect more clearly what current

1	means and that w go with the twelve months as opposed to
2	six months.
3	MR. VANDERGRIFF: We have a motion. Do we have
4	as second?
5	MS. JOHNSON: I'll second that.
6	MR. VANDERGRIFF: We have a second from Member
7	Johnson.
8	MR. PALACIOS: I have a question for Mr.
9	Elliston.
10	MR. BRAY: Can I just clarify before you ask
11	it? I thought I heard you say 215, and we're actually on
12	217.
13	MR. RODRIGUEZ: It is 4.B, 215.82 through
14	215.83, 215.86 and 215.112.
15	MR. BRAY: Actually, we're on 4.C.
16	MR. RODRIGUEZ: We're on 4.C. I'm sorry. Let
17	me clarify. It's 217.3 and 217.22.
18	MR. VANDERGRIFF: And we're having a conference
19	at the table so that's why I'm not interrupting Mr.
20	Elliston at the moment to answer Mr. Palacios's
21	questions conferring.
22	MR. ELLISTON: Go ahead, Mr. Palacios.
23	MR. PALACIOS: Question regarding the rules
24	regarding rescission of a contract. Again, you want to go
25	21 days and you would then rescind or not a contract

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but a sale. Can you elaborate a little bit more on what requirements you expect from a dealer now in relation to the subsequent buyer? Because in my judgment, in some cases we may have rescission, and in some cases you may have never had a sale to begin with, so I guess any notification would be moot.

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MR. ELLISTON: The purpose for this rule being written as it is, today the dealers have to go through a court order process. If they sell a car but for whatever reason it doesn't go through, it's a financing issue or whatever, and if the documentation has been made, the person has taken delivery on the car, they have to go through a court order process to unwind that deal, so they have to go to the court, it costs them money to do that.

The 21 days is actually kind of a negotiated time frame between us and we worked with TADA on this. Originally we just said if they've taken delivery, but they asked that there be a longer time frame there because some of these may take time to work them out, so we added the 21 days in there in response to their recommendation to give the dealer some time to work those out.

Now, as far as what's required, in the proposal it would require that if a deal goes through and all parties will sign affidavits saying hey, we're backing out of this deal, we don't want to do it. Then the dealer

would be required at that time to notify a subsequent buyer that the vehicle had been subject to a prior retail sale and what effect that would have on them, if any, pertaining to the warranty. Some manufacturers, if they sell a car to one person, that warranty begins to run a that time, so then if it's sold to a subsequent party, they may have a month, two months, six months, depending on how long the car remains on the lot, less of warranty than what they thought.

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So we just wanted to make sure from the consumer side that they were notified that hey, this was a prior sale. I mean, obviously if it has miles on it, they should recognize something has occurred, but that they tell them that there is and what effect, like your warranty is going to be three months shorter than before.

MR. ELLISTON: And what exactly is that requirement? Are we coming up with a form now that has to be submitted to DMV, or what are you requesting?

MR. ELLISTON: It's a requirement on the dealer to do that and there would be a form that you would have to fill out for it.

MR. PALACIOS: So we'd have to fill out a form and have it in the deal jacket?

MR. ELLISTON: Yes, sir, and that you just present that to the subsequent buyer, the second buyer,

however that would work out. That's what's proposed in the rule.

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MR. PALACIOS: Okay. I guess my concern is in many of these cases we never actually consummated a sale, and if it were rescinding it and the manufacturer would honor that rescission, at least in the case of General Motors, there was no sale.

MR. ELLISTON: If the paperwork has not ever gone through to the county, let's say there hadn't been a delivery taken on the vehicle, the title paperwork hadn't gone to the county, then there's no issue. Our only interest is when the paperwork has been submitted to the county we have a title in process. In other words, the county has it, and once it's submitted to the county, it's been applied for, so at that point it's going to come around through our system, and we can even catch it as late as when it gets to our title control section to be able to undo that deal before title is issued.

So that's the reasoning behind that is to try to give a dealer a way of undoing some of these without having a great cost or a long time frame and going through the court process.

MR. PALACIOS: And I'm with you 100 percent in that case. I'm just concerned about the dealer now having another document that they have to submit to a government

agency. Because again, in my judgment, in many cases here we never really had a sale.

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MR. BRAY: In the event that a sale sort of took place, people went home without the car, the deal fell through, the car never left the lot and application for title was never made, there's no form that would go in the file.

MR. ELLISTON: No. At that point there's no interest in it. It's only after the title process has begun on the vehicle do we have an interest in it. And one reason for having the form -- and I know the last thing a dealer wants to do is fill out one more form -however, we even looked at maybe we just put in the rule that the dealer has to notify that subsequent purchaser. Our concern with that is from the protection of the dealer and the consumer because a year from now when he finds out his warranty is not good, he's going to come back and he's going to sue the dealer saying I was never informed of this, the dealer is going to say yes, you were, and now it's a he-said/she-said, where if you have the document in there, it's really a protection for both sides.

That was our reasoning for putting that requirement in there was really trying to protect both sides a year from now or even two years from now when somebody tries to sue a dealer civilly because they

weren't notified -- if that makes sense.

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MR. PALACIOS: It makes perfect sense. It's just somewhat -- I guess there's not a one size fits all for this. Every situation will be different, every manufacturer will have a different set of rules as to whether or not the warranty starts or it doesn't start.

MR. ELLISTON: And this is just an option for the dealer. You're not required to go through this process. You can still do the court order process if you wanted to to undo the deal. That does not negate that process, it just gives you one more avenue to be able to undo the deal.

MR. PALACIOS: Okay.

MR. VANDERGRIFF: We do have a motion and a second on that motion before us. Are there any further questions?

MR. INGRAM: Do we want to clarify the motion or anything?

MR. VANDERGRIFF: We can clarify it again. I apologize.

MR. RODRIGUEZ: Again, for clarification purposes, my motion was to propose with posting the rules under Title 43, 217.3 and 217.22, with the caveat that we allow Brett Bray's modification to clear up what current means and that we also go for the twelve months as opposed

to six months in terms of the time allowed for an item to 1 be current. MR. VANDERGRIFF: Does that clear up what his 3 motion is? 4 5 MR. INGRAM: Yes. 6 MR. VANDERGRIFF: Again, a motion and a second. 7 Any further questions? Don't see any. All those in 8 favor please raise your right hand. This is for publication, again. 9 10 (A show of hands.) MR. VANDERGRIFF: All those opposed. 11 (A show of hands.) 12 MR. VANDERGRIFF: The motion carries four to 13 one, with Board Member Ingram voting against, and Board 14 15 Members Rodriguez, Johnson, Vandergriff and Palacios 16 voting for, the other members being absent from this 17 meeting. We're now on to some briefing items with 18 19 possible approval, and the first is, of course, our minutes from our May 10 board meeting. I would be pleased 20 to entertain a motion to approve those minutes. 21 MS. JOHNSON: So moved. 22 MR. VANDERGRIFF: We have a motion. Do we have 2.3 24 a second? 25 MR. INGRAM: Second.

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MR. VANDERGRIFF: Motion from Member Johnson, second from Member Ingram. All those in favor please raise your right hand.

(A show of hands.)

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MR. VANDERGRIFF: The minutes are approved.

Next, our executive director, Linda Flores, has the Strategic Plan for fiscal years 2013 through '17.

MS. FLORES: Good morning. For the record, my name is Linda Flores, I'm the interim executive director for the agency as well as the chief financial officer.

At the May board meeting, I presented or submitted the agency's draft Strategic Plan. It included items and content that's set forth by guidelines and instructions from the Legislative Budget Board. I'm requesting approval of that draft plan to submit to the Legislative Budget Board, the Governor's Office by July 6. We have not received very many substantive changes. All the changes that we've received from internal directors, board members and other staff have all been implemented into the final document which we will submit on July 6.

The plan includes a new structure, new guidelines, new goals for the agency which are: goal number 1 is to optimize services and systems, goal number 2 is to provide quality customer service, goal number 3 is to protect the public, and goal number 4 is the agency's

indirect administration. It includes our mission and vision which has not changed, an internal and external assessment of the agency which includes descriptions of our core functions, our fiscal aspects for the current biennium, and it discusses such items such as our automation systems project.

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And I request your approval of the draft
Strategic Plan at this time, and I'm available to answer
any questions.

MR. VANDERGRIFF: We have discussed this before. Do any members of the board have any questions on this?

MS. JOHNSON: I have a comment. And I just want to say we've come a long way. I've been on this board since the beginning, as have several other members, and we've moved along, we've progressed, and so I want to express my appreciation to everybody and to make sure that everybody who is involved in this, and too many people probably for you to even name, many that aren't in this room, so if you'd express my appreciation. They say you've come a long way, baby, we have really moved forward from the opportunities we've had.

MS. FLORES: As Dawn mentioned, it takes a team effort, and this too has taken a village to create, including all of the agency division directors who have

all really stepped up to help craft the plan in front of 1 2 you. MS. JOHNSON: Thank you. 3 MS. FLORES: Yes, ma'am. Thank you. 4 MS. JOHNSON: Do you need a motion to approve? 5 6 MR. VANDERGRIFF: I do. MS. JOHNSON: I move to approve the Strategic 7 8 Plan as presented for fiscal years 2013 to 2017. MR. PALACIOS: Second. 9 10 MR. VANDERGRIFF: We have a motion from Member Johnson and a second from Member Palacios. All those in 11 favor please raise your right hand in support of the 12 13 motion. (A show of hands.) 14 15 MR. VANDERGRIFF: Motion carries unanimously. 16 I skipped over item 5.B. I want to note that we will discuss that in connection with the executive 17 session that we'll have and come back to that after that 18 19 in the meeting. We will have an executive session at the end of this time. 20 Now 5.D, please, on the preliminary operating 21 budget for 2013. 22 MS. FLORES: The summertime for an agency is 2.3 24 always a busy time. Not only are we this year preparing a strategic plan and an appropriations request, we're also 25

setting up the agency's operating budget for the following year, and in your material for your consideration is the preliminary operating budget for the agency.

This is year two of the biennium, and your material includes a lot of detail, but I just thought I'd give you a high level summary of the agency's operating budget for next fiscal year, and I lead off with what the agency collects versus what the agency's operating budget is. We anticipate to collect over a billion, four, approximately a billion, four in FY 2013, our annual operating budget is going to be a \$170 million, so you can see that we bring in 89 percent and we use 11 percent.

Our operating budget includes implementation of the agency's approved appropriation for year two of the biennium, as well as other adjustments which are a rider of \$5 million which is the agency's authority to pay the speciality plates vendor, it includes a transfer of the Oversight/Overweight program, and it also allows us to carry forward unspent capital dollars from the current fiscal year into FY 2013, and we estimate that we're going to carry forward approximately \$40 million in unspent capital dollars, specifically \$39 million of that is tied to the automation project, and I'll discuss that in a little bit more detail.

And I've laid it out. These are the specific

capital projects. We lead off with the automation. We also have a little bit of money from the agency's PCS where we replace based on a life cycle replacement period. The counties, we still have some unlet money from '12 that we're going to carry forward into '13. Data center consolidation, just a slight portion that we're going to carry forward.

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I do want to spend a little time on the automation project. This effort -- and Dawn has briefed the board several times on this -- we have recently posted a request for proposals to begin the refresh, the refactoring of the registration and titling system. It is out on the street. The refactoring of the registration and titling database.

MS. JOHNSON: So it is going to be a new system, we're not going to continue to take the old and fix it.

MS. FLORES: No, ma'am. The current system is a mainframe and we're wanting to get some business intelligence out of this new system. So we are going to have a pre-bid conference, I believe it's scheduled June 20 at the agency, and we expect several large vendors to appear.

So any unspent dollars that we currently project we get to carry forward into year number two,

where we believe the majority of those dollars will be spent. So as we firm up the plans for that refresh/refactoring, you'll get more detail provided to you probably in the fall. That's when we anticipate we will have a vendor selected for that refactoring.

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MR. VANDERGRIFF: I'm sure Dawn is coming up here at some point, but that is, for the board's purposes, the proposals are in the end of August and sometime probably 30 days after that is when the agency will be recommending the company.

MS. HEIKKILA: And I was going to cover that in the automation update.

MR. VANDERGRIFF: I knew you would, but I thought it might be on people's tip of their tongues.

That will certainly impact us, consume a lot of that money that is sitting there.

MS. FLORES: So the agency's operating budget for FY 2013 which starts September 1 is \$170 million which includes those unspent dollars that we're projecting at this time.

MR. VANDERGRIFF: Can I also ask you, I know there's some detail in your report, but the Vehicle Titles and Registration Division has, obviously, a significant increase there, and I know at a time when everybody is looking at budgets and holding ground, can you explain

that one?

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MS. FLORES: Yes, sir. As part of our continuous evolution, if you will, we set up the operating budget in '12 a certain way. We learned throughout our daily operations that some things were located, for example, in Administrative Services that better were housed in Vehicle Titles and Registration, and that \$10 million is really just a movement of responsibilities from one division to the other. They were all related to license plates and that's where you see that shift. So you'll see Administrative Services come down, you'll see VTR go up.

MR. VANDERGRIFF: VTR went up a little bit more. Is that because of the increase in business in Texas and we're purchasing more license plates? Would we see it there?

MS. FLORES: Yes, sir, there is some of that going on. There is some growth on license plates. Even though we're keeping a lower inventory, we are seeing a natural growth in vehicles being registered in Texas, so along with that goes increased costs.

MR. ELLISTON: So our costs go up, so do the revenues. You see the registration revenues going up in Texas, our costs, obviously, are going to go up some because of that also.

MR. VANDERGRIFF: Dawn, did you have something? 1 2 MS. HEIKKILA: Yes. I just wanted to clarify a 3 couple of things. Some of the changes that are going on are shifting and realigning responsibilities, there are 4 program costs that were originally captured in 5 6 Administration that are being shifted back to the program area, the mailing of the registrations, the printing of 7 8 the registrations, those kinds of things. The actual 9 plate contract for TDCJ where we get the manufactured 10 product still remains in Administrative Services, and there's going to be an increase in that contract. I don't 11 know if you want to go into that? 12

MS. FLORES: Not yet.

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MS. HEIKKILA: Okay.

MS. FLORES: And every change that we make in order to be transparent amongst ourselves, all of this is negotiated with the division directors, so one division director is taking something on and the other division director is at the table telling him or her that are you willing to take this/yes, I'm willing to take it. So we do work together to make sure that both parties are informed and agreeable to the changes that we're making.

MR. INGRAM: Quick question about a capital item, and we've talked about it before at some previous meetings about our divorce from TxDOT leaving us with --

sorry -- separation from TxDOT leaving us with less than desirable vehicles, and is there some sort of freeze on that?

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MS. FLORES: We did not receive any capital authority for vehicles in the current biennium, so when you don't receive any authority, you're not allowed to go out and purchase vehicles. What we have been able to do, however, is replace the worst of the worst, if you will. We've actually gone out to DPS and have been able to acquire some vehicles that way, approximately six, I believe, so we've replaced some.

For the next appropriations request, what you will see in what I will bring to you is a request for exceptional items that covers cars.

MR. INGRAM: So you plan for that to be in your next request.

MS. FLORES: Yes, sir.

MR. INGRAM: Okay.

MS. FLORES: This is our full-time equivalents by division. VTR always leads off with the largest number of staff, followed by Administrative Services, followed by Enforcement.

The one item that I do want to spend a little time on, and that Dawn just briefly mentioned, has to do with contracts. In your detail document starting on pages

37 through 47 are a list of all the anticipated contracts that we have developed and compiled for your consideration. And some of these are identified by value, and we've actually come to you requesting some delegation authority with regards to some of these that are statutorily required.

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Dawn did mention one particular contract which is very large. Currently our budget for license plates with the Texas Department of Corrections is approximately \$14 million. We've been informed that that cost is going up to approximately \$17 million next year. We've already planned for that in this preliminary document and the final, we'll come back with better numbers, final numbers on that. But I'll let Dawn talk to you about the anticipated changes.

MR. INGRAM: Is that increase in the license plates from the added security features that we've put in place?

MS. HEIKKILA: The increase in cost, actually, the primary driver for that is demand. It's an increased demand for the passenger and light truck plates.

MR. INGRAM: Okay.

MS. HEIKKILA: Which is actually a good thing.

MR. INGRAM: Yes. It's volume-driven.

MS. HEIKKILA: Right. If our products go up,

ON THE RECORD REPORTING (512) 450-0342 then our revenue generation goes up as well.

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The increase in the actual individual cost of the plate are very nominal, less than .001 cent.

MR. INGRAM: This is totally off topic. When we approved the new license plate, it seems like our reserve is going to run out fairly quickly in this area of summer and we were going to start printing the new one. Have we started yet?

Sorry, Mr. Chairman, that was far off base, we were talking about license plates.

MR. ELLISTON: For the record, my name is Randy Elliston, VTR director.

Yes, sir. Those are being processed at this time. We're still trying to work the old inventory out. We believe that the new license plate will begin to hit passenger cars sometime in July or actually hit out in the field. Now, it's going to depend on what county you're in. We're trying to move product around, trying to spread it out so everybody gets pretty close to the same time frame, but we won't hit that exactly, but probably sometime in July we'll begin to see some of those. Then later we have more truck plates out there, so probably it will be about October-November before you'll start to see pickup trucks start to have that new license plate on it.

MR. INGRAM: Okay. Thank you.

MR. ELLISTON: But they are in production at this time.

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MS. JOHNSON: With regard to looking at the contracts, there's a lot of staff augmentation and temporary staffing I'm sure is seasonal situations, but could you address that? We've got about a half million in augmentation of staffing. Is that with the technology projects that are going on?

MS. HEIKKILA: It's actually a combination of both the technology projects having to bring in specific expertise that we don't currently have in house, or a temporary need for expertise that we don't need long term, and so it's a better business decision to acquire the resources you need at the time you need them as opposed to trying to staff that position and then you wouldn't have work for them all the time.

Additionally, some of that staff aug is being used to backfill positions that we are staffing for and to receive or continue to facilitate the support that we're currently receiving from the legacy organization as we begin the separation.

MS. FLORES: And we do, as part of that,

Administrative Services is working very hard to fill their

IT positions by the end of the fiscal year which is August
31.

MR. VANDERGRIFF: Can you tell me what is an agency wide?

MS. FLORES: Yes, sir.

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time.

MR. VANDERGRIFF: Who runs agency wide?

MS. FLORES: I do. Agency wide is just a placeholder, if you will, for either salary savings that we've specified need to be captured and held back, or staffing that in this particular case there is one empty E that Enforcement -- actually, it was Motor Vehicle Division in some of their efficiencies, actually they gave up two, took back one, so I'm left with one FTE in agency wide that I've held back, and as the directors come to me with additional needs, that's where I have some flexibility in providing a staff person. And that staff person will no doubt probably go to Administrative Services because of some of the needs that they've identified, but I've not made that final decision at this

MR. VANDERGRIFF: And it dropped significantly.

I guess that was probably some of the movement also into

VTR, perhaps?

MS. FLORES: Yes, sir. We had some additional needs that VTR had identified, as well as some of the other directors, and so we've moved those dollars out as well, but the bottom line stays the same.

MR. VANDERGRIFF: Understand. 1 2 Any additional questions? 3 (No response.) MR. VANDERGRIFF: It's been a while, I'm not 4 sure if I have a motion from the board to approve this. 5 6 MS. FLORES: I don't need a motion. MR. VANDERGRIFF: Okay. You don't need it. 7 8 All right. You're just presenting for us. MS. FLORES: Yes, sir. Approval will come in 9 10 August. MR. VANDERGRIFF: Will come in August when we 11 come back. I apologize. 12 13 The next item on the agenda is the approval for speciality plate designs. Mr. Elliston. 14 15 MR. ELLISTON: Again for the record, my name is Randy Elliston, director of VTR. 16 17 You have before you today a request from the state's speciality plate vendor for approval of a new 18 19 specialty plate design. We have it over here on the 20 board. This plate that's being proposed is a Dallas Stars Hockey plate. This plate actually is what we all a 21 22 crossover plate. This plate currently exists, or one, actually it looks like this exists in our plate inventory 23 24 today. What will happen, since this is in our program,

since it's a crossover, if you approve that design on that

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plate, it will move over into the My Plates system and we will stop producing this plate except for renewals, people who are grandfathered in the process. If they already have this plate, they want to keep it, as long as they renew it each year, they'll be able to continue to have this plate. Otherwise, if you want a Dallas Stars plate, a new application, if you approve this, then that would be the license plate that you would get and it would go through the My Plates application process.

This plate does meet all legislative and testing requirements, and we have that before you for your approval.

MR. VANDERGRIFF: I emphasize again this is a crossover plate.

MR. ELLISTON: Yes, sir. It's technically not a new plate. It's a new plate but it will kind of replace this plate in the process, so one is going away.

MR. RODRIGUEZ: Now, you say renewal is only for those that have it now?

MR. ELLISTON: Yes, sir. This plate here, if you currently have it, there will probably be 30 days or so from now you could still get this plate, but at that point when the new plate becomes live, then this plate will drop off as far as new applications. But if you have it today, you can continue to renew it for life if you

want to. 1 MR. RODRIGUEZ: Let me ask you this. We, as an 2 3 agency, have the ability to continue to sell that specialty plate, don't we? 4 MR. ELLISTON: We could not sell this plate 5 6 because this is the Dallas Stars plate, and because they have their logo and all on it, they have chosen, in 7 8 agreement with My Plates, to move their symbol and all 9 over to that process. So without their approval, we would 10 not be able to continue to produce this plate, other than for the ones that already have them. 11 MR. RODRIGUEZ: So the agreement with had with 12 13 the Stars, between them and us, has been pulled off, and now they've gone into a new agreement with My Plates. 14 15 MR. ELLISTON: That's correct. 16 MR. RODRIGUEZ: And absent a sponsor, we can't 17 sell the license plate. MR. ELLISTON: That's correct. 18 19 MR. RODRIGUEZ: So Dallas Stars have chosen to sell their license plate only through My Plates. 20 MR. ELLISTON: That's correct. 21 MR. VANDERGRIFF: Any additional questions of 22 Mr. Elliston? 2.3 24 MR. INGRAM: Move to approve the specialty

license plate as designed.

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MR. VANDERGRIFF: Motion to approve the 1 2 specialty license plate. Do I have a second? Again, this 3 is a crossover plate. (No response.) 4 MR. VANDERGRIFF: The motion fails for lack of 5 6 a second at this point. I don't want to second something 7 if I've got three members that are not seconding it. 8 Mr. Bray, can this matter be brought back up again? 9 10 MR. BRAY: Sure. MR. VANDERGRIFF: All right. So we will table 11 this one for now since it fails for lack of a second. 12 13 We do not have anything under items F or G. Well, actually, under G we do continue the process of the 14 15 vetting of potential executive directors. We have another 16 meeting scheduled on the 19th and we're anticipating 17 action shortly after that, and we will certainly be delighted to do that and keep moving forward. 18 19 On advisory committees, I'm not sure if we have any updates there or not at this point in time, but I will 20 ask Mr. Harbeson, Mr. Ingram and then also Ms. Johnson and 21

MR. INGRAM: We've got he set of rules that are

Mr. Elliston if there's any updates that you wish to

provide at this time on either one of the advisory

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committees.

posted that we just posted, as well as the set we posted previously waiting for comments and for that to come back up. We do have a few leftover items just sort of hanging out there we need to get back on. I know Senate Bill 529 has been sort of a demanding topic, but hopefully, as that's getting closer, maybe we can divert some resources from that.

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MR. VANDERGRIFF: I think that will come up shortly, I think you'll have that opportunity.

Ms. Johnson, do we have anything?

MS. JOHNSON: I'm going to defer to Mr.

Elliston. HE seems to be doing quite well today, and he did meet with the TACs at the TACA conference, and so he might can share some of that information.

MR. ELLISTON: Thank you. Again, my name is Randy Elliston, for the record, director of VTR.

The Tax Assessor-Collector special advisory committee has been meeting, we've had approximately four meetings since its inception. It's been quite well attended and we've had a good number of TACs participate in that, along with people from the industry, TADA, TIADA have also participated in some of our calls.

When the committee began its work, we had about 20 items that we had on a list of things we wanted to consider, and our primary goal was to try to come up with

standards or processes and procedures so that people going into the offices had a similar experience, whether it was regarding to what paperwork they had to have, what type of fees they pay, whether they went in Dallas, Houston, San Antonio or El Paso, they would get the same experience. So far, we've completed 13 of these items which we have actually issued registration title bulletins on, our VTR directives. We've got five items pending, two are under development, four need legislative action, and we have six that are pending for future consideration.

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We've had good positive feedback. The members who have participated have been very good about providing good feedback. Nobody has been argumentative at all, they've just provided good really good information and we've received good positive comments about the committee this past week when I was in Amarillo at the Tax Assessor-Collectors conference.

We anticipate in the very near future bringing you some rules to be looking at in regards to some of theses, so we hope to have that pretty quickly. I believe this is a living committee, it's one that's going to continue on. Probably the items we'll get into in the future are going to become a little more difficult, a little more controversial. At that time we'll probably take a little different approach, start moving around the

state a little bit and meeting with regionally the tax assessor-collectors in those areas to get their feedback also.

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But unless you have any questions, that's the update.

MR. VANDERGRIFF: Thank you very much.

Mr. Harbeson, I think you have some nice success stories to tell us.

MR. HARBESON: Again, my name is Bill Harbeson.

I'm the interim director of the Motor Vehicle Division.

The chair asked me to brief the board today about what we've done in the Motor Vehicle Division. It's probably a longer story than you want to hear, but let me start on December 9 we met with the staff and we start off by saying that we need never forget that the people that we're dealing with on a day-to-day basis have a lot on the table, they have money on the table, they have families to feed and they have employees to feed, and that's how we got started.

So we first of all looked at our general philosophy on how we were conducting business and recognized that we were really concentrating more on trying to find a way to say no, trying to find problems with applications, and so that day we moved immediately to the new mantra upstairs which is how do we say yes, how

can we put you into business and how can we keep you in the business.

We looked at the statutes and the rules and streamlined the process by eliminating questions and stops in the process that weren't actually authorized in many cases.

For instance, we no longer ask for photographs which for those of you in the business know that was a big holdup getting us the right photograph, and I think in a lot of cases what we were asking for photographs for was because we didn't believe you that you, for instance, didn't have a filing cabinet or a telephone.

So we stopped looking at photographs, which really sped up the process. We started trusting our dealers and started working with our dealers as partners in getting them into business and keeping them in the business.

Deficiency letters were stopped on this first day. What I did is I said, Before you can send a letter out to a dealer and tell him you've got a problem, we have to make at least three attempts by telephone or email to contact them and talk with them and say this is all I need to get you approved, will you please send this into me in some form so that we can get you into business and keep you in the business. So we currently have our specialists

working more as partners than as sometimes adversaries with our licensees and trying to get them into business.

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One of the interesting outcomes of this change was that I have a lot of dealers calling up, especially in groups, that request the person they've worked with who they've met in the first processing of their license and say I know Patty, for instance, and I'd like to keep working with Patty on my other dealership business that I'm doing with the agency.

So that was day one, that was December 9 and it's what we did.

The response of our licensees has been overwhelmingly positive, both from the weekly reports that I review and from the meetings I have with the dealers. The chair has encouraged me to go out and talk to dealers about the changes, and it's been great for me because everybody is very, very pleased with the changes that we've been making.

The question I get in these written responses and in these meetings is, Is this really the DMV, and I said, Yes, this is the real DMV, and this is how we're going to be doing business going forward.

We've also invited industry to come up and visit us, and we've had some very positive views. Karen Phillips, who is here today, came up and visited with us

and what I do is introduce them to the actual specialists who are working the applications for her members.

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Staff is still talking about Board Member

Ingram coming up and actually sitting down and processing
a license from application all the way through issuance
that day, and when things are going a little hectic up
there, they're always asking me if we can call him back
and put him at the desk.

The numbers have been very positive. We went from an active caseload of around 2,500 down to around 500 which I think is about where we should be with 300 or so applications coming in every week. That's about the number we should be at.

But what we're still working on is something I discussed earlier, these abandoned applications. We started that project a couple of weeks at around 150 and we're under 100 now, and these are just tough ones trying to get hold of these people and find out are you still in the game, do you still want us to try to work with you to get you licensed.

MR. VANDERGRIFF: So when you have the backlog of like 150 right now, almost 100 of those are abandoned applications? Are they in that backlog?

MR. HARBESON: If my optimal number is 100 and we're around 600, that 100 delta there between active,

we're working them, they're going to get issued licenses, is that 100 what we call "zombies" upstairs, the walking dead that we're trying to identify, figure out how we get them off the books in most cases.

MR. VANDERGRIFF: So they're still being counted in your file as that older than six months or as a pending application.

MR. HARBESON: That's correct. That's just a subset of the total number of active applications we're working.

Again, the comments have been great, and we give those to the staff every week, particularly when their named specifically. If we get an adverse comment from somebody, we contact them. We have two staff members dedicated, part of their job responsibility is to actually call that dealer up and say what actually went wrong here. And then we go back, triage that and figure out how can we improve the processes further.

In that regard, this is a work in progress.

There's not a day that passes where we don't come upon something where we can't change things. Staff gets a little alarmed when we have meetings and they say we're not going to talk about change, and I remind them and say we're always going to talk about change, we're always going to be changing things up here.

We provided you the statistics on where we are right now. One of the statistics that I really like looking at is where we were a year ago and where we are today on the processing times. Day one we set a goal that we didn't want anything sitting and not being worked more than four or five days, and in most of our categories it's being worked the same day we get it in and we're under that five-day goal on everything else. I think there's around three that we get enough of them in to where we work them within five days.

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In conclusion, first of all, I'll be glad to entertain any questions. I invite all of you to come upstairs and meet the people that are doing this because I still don't know that much about licensing, I'm relying on the staff, and they've just done an incredible job. And I'd like to include that I've really always thought they wanted to do this and day one they charged into this and have done an incredible job.

MS. JOHNSON: Comment.

MR. VANDERGRIFF: Please.

MS. JOHNSON: I wanted to comment -- well, I want to ask a question. Is the staff and the team happier now that they're actually seeing results and things are moving?

MR. HARBESON: Yes. I mean, morale, pretty

much across the board, is very up. They tell me they love talking to the dealers because they actually are seeing success.

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You go upstairs and you'll see signs that say,
I want to say approved, and they actually do that. You
say, What are you doing today? They say, I'm approving
licenses. And so again, I think they really want to
operate this way and it's very encouraging to me because
as I walk through the spaces I hear them on the phone and
they're saying all I need is this and we're going to get
you into business.

MS. JOHNSON: So they're facilitating instead of blocking, and I think that that's wonderful and hopefully that's improving our relationships and our image in the community.

MR. VANDERGRIFF: I'm going to interrupt. Some have likened him to a rock star.

(General laughter.)

MS. JOHNSON: Okay. All right.

I'm thrilled to hear you say, and it's something that we end up being cheerleaders sometimes for the people that work for us, and when you deliver to them how do we say yes, how do we serve this customer, because as Ms.

Booton said in one of her presentations, we are an item on people's to-do list, and you're facilitating economic

development in the State of Texas and that's tremendous 1 that they are having an impact on that. And so again, I 3 appreciate the attitude. It goes right in line with what we've been trying to accomplish, and I believe the purpose 4 of the legislature to have moved us as a separate agency. 5 6 And so thank you, thank them. 7 MR. HARBESON: Customer service is the way 8 we've gone. It was real easy with what the board has given us as that being the direction of the agency. 9 10

Everything we do up there we think about that first: Can we do anything else to better serve them?

I can't match Dawn's statistics on what happened with her group, but I've had at least one proposal up there with a dealer that asked one of my specialists if she was single and wanted to get married because he had such a positive experience.

MS. JOHNSON: Does that create a conflict of interest?

MR. HARBESON: I had to remind her that our actual statute could create a problem with it.

(General laughter.)

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MS. JOHNSON: Thank you.

MR. INGRAM: Well, I'll comment a couple of things. I know that Chairman Vandergriff and myself, we were getting calls almost weekly from dealers that were

very, very frustrated with the process prior to this change, and I have not received a single call other than to say, wow, what a change.

And you may not know very much about the licensing process, but you know a lot about leading people, and you were able to take that group and turn their perception and turn the whole thing upside down and head it in a totally different direction so fast, it was very, very impressive. And I think you hung the moon. You did a great job and keep doing a great job. I really appreciate it.

MR. HARBESON: I'm ready for that new director. (General laughter.)

MR. VANDERGRIFF: Anybody else have any questions?

(No response.)

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MR. HARBESON: If I could end with just the most recent development we've had up there -- and I don't know if we're going to talk about it today -- but working with Gary's group very effectively, we've launched this week an online status report where dealers actually, when they've submitted an application, can go online and look at where their application is in the process rather than having to get on the phone and talk to one of Ginny's people. Although they're great to talk with, it's a lot

quicker for them to actually go online and say this is where it is, this is who has it and this is when I expect it to be coming out. And that was just launched this week and that was, again, one of staff's ideas about well, this doesn't seem like it would be very hard to do and seems like it would be a great service.

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And Gary's people, I don't know how we did it, but it's up and running in LACE which is incredible, and I've heard good things already about it.

MR. VANDERGRIFF: Thank you very much. Job well done.

Thank you, Linda, as well, for your leadership there.

The last item we have before the final briefings is the proposed meeting schedule for 2013. I think, board members, you have that here. I'm not sure if I need to have a formal motion at this time to approve it, Mr. Bray?

MR. BRAY: Not really. You can do it either way. It's your prerogative anyway.

MR. VANDERGRIFF: I will go ahead, just in an abundance of caution, ask for a motion to approve the schedule, and I will make the comment to you I'm sincerely hoping that we get to cancel a few of these meetings during the course of the year, but at least we'll have it

on your calendar. So I'd be pleased to entertain a motion to approve this schedule.

MR. RODRIGUEZ: So moved.

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MS. JOHNSON: Second then.

MR. VANDERGRIFF: Motion from Member Rodriguez and a second from Member Johnson. Please raise your right hand in support of the motion.

(A show of hands.)

MR. VANDERGRIFF: The motion carries unanimously.

I have nothing really to report to you. It's been a consistent month. I do want to note that I have had an unusual flurry of media interest in the fact that we are not handling the driver's license portions of our business very well, including an article written about it in the Dallas Morning News.

And I responded to that, and the writer really apologized. He referred to the terrible lines and the horrible problems at the DMV, and he apologized profusely for having done that on behalf of the agency to Linda, and to me for the board.

And then we also got some pictures sent a couple of days ago, or I got them sent which I forwarded to DPS, of a long line before they opened for business in a Houston office and a DPS officer apparently was upset

that the line was in the parking space so honked and tried to run them over. And they captured that in pictures and sent that to me, and of course, I said, That's not our agency, so we forwarded that on to DPS.

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MS. JOHNSON: Mr. Chairman, do you have any influence or will this reporter have any influence on that TV commercial that talks about taking your iPod or whatever to the DMV?

MR. VANDERGRIFF: That's probably a good one.

I will note for you that I had a spirited discussion in that regard with Board Member Ryan, because, as you know, the commercial comes from Toyota -- I will also note in the audience Mr. Roche from Toyota -- that is making fun of the DMV; I know it's a generic nationwide commercial -- as he's turning red. But it nevertheless does hit us hard here in Texas.

MS. JOHNSON: My husband loves that commercial, and I despise it.

MR. INGRAM: It's difficult because in some states, obviously, the DMV is responsible for the licenses.

MR. VANDERGRIFF: Absolutely.

MR. INGRAM: But I mean, the perception is so prevalent that even my wife came home and told me how horrible it was trying to get her license at the DMV.

(General laughter.)

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MR. VANDERGRIFF: All right.

Ms. Flores, do you have any other reports that you need to cover?

MS. FLORES: For the record, Linda Flores, interim executive director and CFO.

Included in your material is the monthly financial report for the month of April 30, 2012. There were no significant anomalies or outstanding charges for the month. We're just kind of maintaining status quo, rocking and rolling as we go along, so unless you have any questions, I'll pass.

MR. VANDERGRIFF: None indicated.

Do we have any IT and facilities update that we need to cover?

MS. HEIKKILA: For the record, my name is Dawn Heikkila. I'm the chief operating officer for the DMV. I've also asked Gary Gordier, our chief information officer, to come up. I'm going to give you a real quick briefing on where we're at with the automation project. Linda mentioned that in her presentation for the initial operating budget draft. I'm going to have Gary do the other IT initiatives, just give a real quick update on that, and then I'll speak briefly about where we're at on our facilities update.

As Linda indicated earlier, we do have an RFP, request for proposal out on the streets to the vendor community to address the refactoring of the registration and titling core system, that's the database. That proposal will be out there for 90 days. Proposals are due back from the vendor community in August, on the 23rd, I believe. Some key dates during the proposal development phase include a pre-bid conference and the system demo coming up on June 20 and 21, that's next week, Wednesday and Thursday. The vendor community that is anticipating proposing on this request for proposal or proposing a solution or those just interested in what we're doing will be able to attend this, they'll have an opportunity to see what the system currently does and how it operates, it's an opportunity for them to ask questions.

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We do have a responsibility through the procurement process to capture their questions and prepare responses in writing which will be posted through the procurement process as part of the Electronic Business Daily, so all of the vendors will have equal access to that information as it's developed. We have also created a procurement library with different artifacts and links, background information that's available to the vendors as they're going through the proposed statement of work in the proposal and crafting their responses.

As I indicated, proposals are due back from the vendors on August 23. At that time they'll need to be evaluated, critiqued and ranked based on a criteria matrix that we've put together with the assistance of our contractor, Gartner. And each proposal will be evaluated based on cost, technical merit, implementation, that kind of thing.

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That's where we're at on the main core system.

We also have the additional 19 improvement initiatives that were identified in the business process analysis. We are working on categorizing those. Several of those initiatives can be rolled up into projects associated with separating from TxDOT and creating an independent DMV technology infrastructure. We continue to work trough that. We're working to develop little mini charters which will kind of identify or guide how the project needs to be implemented or the different components necessary to get us to implementation. We're creating a project roadmap. The governance team is working with Gartner on that.

I hope to have something a little more formalized at our next board meeting for you. We're still working through cost estimates, time estimates and trying to really map what we can efficiently and effectively do during the remaining biennium, the next upcoming biennium

and beyond and identifying which projects are related to which projects, who has dependency on what, and there's an order of operation for some of these implementations.

There are certain things that have to happen in a certain order to make the projects actually successful.

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So that's really where we're at. One of the things Linda mentioned in her presentation is that the appropriation for '12 also covers any expenditures or obligations associated with this project for '13, so anything that we haven't spent or obligated at the end of fiscal year 2012 will roll forward and become available to continue the work on these projects in 2013.

Part of the process with the roadmap is identifying where the gaps are, what projects will continue into the '14-15 biennium, and what projects need to be funded as new initiatives in the '14-15 biennium and will be included in the request for appropriations that she'll bring forward to the board at a later time.

MR. VANDERGRIFF: And perhaps without numbers associated with them but what the projects that might be in future years beyond that that will complete this project, we'll at least have some idea of that too, as well.

MS. HEIKKILA: Yes. And we're working, Linda and myself and staff, along with Gartner, putting together

kind of a one-page snapshot that prioritizes the different 1 projects associated with the roadmap through the mini 2 3 charter that ties back to the business process improvement initiatives identified by Gartner. 4 MR. VANDERGRIFF: Any questions? 5 6 MR. RODRIGUEZ: I was just wondering about the cricket, is that part of the plan, that's nano-technology 7 8 at work. MS. HEIKKILA: If it crawls under the table by 9 my feet, I don't want to know. If I jump up suddenly, it's 10 the crickets. 11 12 (General laughter.) 13 MS. HEIKKILA: So I'm going to ask Gary now. Are there any questions? 14 15 MR. VANDERGRIFF: No. 16 MS. HEIKKILA: To kind of give you an update on some of our other IT initiatives. 17 MR. GORDIER: For the record, Gary Gordier, 18 19 chief information officer for the agency. I am pleased to not have to report to you 20 anymore on the equipment replacement update. We are glad 21 that it is finished and that it was a successful project, 22 however. 2.3 24 We continue to move forward with our change

management process. It used to be called KEES, and to

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that end we did have a spring release of updates, most all of them were legislative changes, and that was done at the end of April. We're currently working on a release for August. That one is almost exclusively going to be what we're calling an infrastructure update. It is a decoupling of the RTS point of sale application from running on Windows XP. We deployed Windows 7 and then we have to go into virtual mode to run Windows XP in order for the application to operate. Because of the way it was originally designed and written, it would not operate on any other operating system. And we're going to decouple that and do a few other things that will allow it to run innately in Windows 7, and I think it will be a real improvement for the tax assessor-collectors when we're able to do that, give a little more flexibility to the application also.

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And we're doing a number of other updates.

There had been no changes and updates made to Java. We're currently running on 1.2 and Java 8 is out right now.

Because of requirements, we're going to be only upgrading to 6. That's a prerequisite but that will open the door for us in the future to become updated to more current technology.

MR. VANDERGRIFF: So how far back is 1.2 in calendar years?

MR. GORDIER: In calendar years it goes to 1 2 probably about 1998. 3 MR. VANDERGRIFF: Okay. Thank you. MR. GORDIER: I am pleased to report that just 4 yesterday I received notice that the TxPROS application is 5 6 a winner of the Best of Texas Project Excellence Award by the Center for Digital Government. It will be presented 7 at the GTC Southwest Conference here in Austin on July 12. 8 It was for the best application serving the public. So 9 another kudos for DMV as a result of that. 10 11 MR. VANDERGRIFF: We may want to also note that TxDOT should get some kudos, as well, for that. 12 13 MR. GORDIER: Absolutely, yes. It started there and we inherited it and we're moving forward with 14 15 the whole customer service mantra that we're trying to 16 deliver as an agency. 17 MR. VANDERGRIFF: And I would appreciate, Mr. Bray, in your capacity, and I see that Carol is in the 18 19 background, Carol Davis, that at the next meeting perhaps you could do what Mr. Harbeson did -- it might be an 20 August meeting -- and give us an update, particularly on 21 the TxPROS system, because I think there, as well as in 22 the licensing area, in the permit issuing area there's 2.3

MR. GORDIER: Mr. Harbeson also stole one of

been some significant gains and improvements there.

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our update items which we are pleased to note that we have that web-based application up and running and it is being well received.

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We have begun a project for continuation of what has been web agent. We did the web sub. That's been well received and being deployed as far as VTR's normal business processes now, but we're now looking into web dealer and a project plan has been pulled together, we're starting the development of that. Because it was built around web services, we're able to grab those web services and use them with the web dealer component and then expand that. So that's a project that's underway now, and ultimately it will be looking at replacing the DTA systems that the dealers are currently using and it will be really a big improvement. And it is still consistent and compatible with the future state of the business process initiatives that we have. We'll be able to repurpose all of those web services for whatever the vendors come up with for that. So that's why we decided to move forward with the web dealer implementation.

I'm also pleased to report that what has been a monthly update called ILAP is no longer. That project has been completed. We are taking the artifacts of that now and leveraging that into our separation strategy.

To that end, there's a list of projects that

you will start getting updates on in the coming months now that are in various stages of planning or implementation to get us decoupled from our legacy agency. One of those is having our own directory services server. A person goes to sign on and they can get authorization and authentication and so forth from our own infrastructure rather than relying on TxDOT. That's a prerequisite for us to get our own email system which is another project. We will be moving to Microsoft Exchange in a cloud so that will be a project. Our legacy agency is also moving in that direction so we have to do this sort of in tandem There will be other sub projects that will with them. spin out of that because, unfortunately, some of our applications have been coupled into the GroupWise email system and we have to get those decoupled to make that separation happen.

MS. JOHNSON: Can I ask a question?

MR. GORDIER: Yes.

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MS. JOHNSON: As you move to the cloud technology, are you working with the internal auditor to ensure all the security is there that's necessary?

MR. GORDIER: Yes. And when we say cloud, it's actually we will be doing this through the Texas Data

Center services so we'll be in compliance with all of their security requirements also.

MS. JOHNSON: Excellent. Thank you.

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MR. GORDIER: We are in the process of replacing all of the hardware for the Texas IRP system. That had been on waiver to not be part of the Data Center so the burden of maintaining that hardware is on us, and so we're working on a project to accomplish that. It's very old and needs to be upgraded. It will be done in a virtualized so that it's consistent with where everything else is going and using the latest modern approach to that technology.

There's an umbrella project to fully decouple our network from TxDOT. In fact, just yesterday I met with AT&T who is our wide area network provider through all of the TAC offices throughout the state, as well as our infrastructure internally, and we will be migrating from the legacy frame relay services which is a technology that is being put to rest as rapidly as possible, and we will be implementing what's called MPLS, Multiple Protocol LAN Services, that will allow us to have a lot more flexibility in delivering capacity and consistency.

And that project is kicking off so that we'll be able to -- actually, it was a driver when we ran into obstacles for another project that we have underway and that is to begin the deployment, voice over IP to replace our phone systems, and we'll be doing that in all of our

16 regional offices, and the MPLS network is going to be critical to put in place in order for that to be successful in order to address issues that we bumped into when we tried to begin that VOIP project.

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I will make one comment. The new service providers at the Data Center here in Texas took over the 1st of May, and we all know the horror stories that have gone with the Data Center over the years, but they have been true to form very good to work with. They're stepping up to the plate in a big way. I think we can look expectantly to a good working relationship with the Data Center as they begin implementing changes there and addressing issues that they've encountered. So we're working on a relationship, we will have an agreement with them. We will start getting our own billing directly from them rather than through TxDOT, also.

And the last one I'll make comment on is that we are aggressively going after filling our technology positions. I've got a couple of weeks of wall-to-wall interviews going, we have applications out there, and we have a plan throughout the coming weeks. Hopefully we'll be in pretty good shape by the end of this particular fiscal year.

MR. VANDERGRIFF: And do you have anything further?

MS. HEIKKILA: Just a couple of things on facilities. I wanted to give you an update. We are still working with the Facilities Commission on the space analysis. They are still continuing to collect data and do their analysis. We had anticipated having options available for the board and the executive management team to consider in terms of long-term/short-term options. Those options haven't materialized yet because the analysis does continue. We're hoping that they'll finish that pretty shortly.

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Also, TxDOT has made a space proposal for DMV's consideration, exchanging allocated space at Camp Hubbard in Building 5 for the space that we are currently occupying here at Riverside 150 and the two portables at Bull Creek, Buildings 45A and B.

So we are looking at the proposal, we're trying to evaluate how we could best use the space given the parameters we have to work in. If we're going to do something or be able to leverage this opportunity, we want to make sure we're doing it in the best business manner possible and that we are taking into consideration what our programs do and how they do it, and we're not just dropping and dragging people from one place to another, so we want to do this smartly.

Again, we're still collecting data on the what

options are available, and I should have a more formalized update at the next board meeting.

MS. FLORES: We do have a kickoff meeting scheduled next Monday and this is in an effort to have all of DMV at least in one part of town, if you will, and we do appreciate the effort by TxDOT to help us have our own home.

MR. VANDERGRIFF: And the recognition that that's a good thing.

MS. HEIKKILA: Yes.

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MR. VANDERGRIFF: All right. At this time I don't believe we have any further business. We do need a short executive session, and I would propose that we meet back in five minutes upstairs in the law library conference room with the board members, please.

The purpose of the meeting is under Section 551.074 which is to discuss personnel matters as noted with regard to the potential appointment, employment, evaluation and duties of the executive director. I do not anticipate any action coming out of the executive session. Again, I am hopeful that the executive session is 30 minutes or less, so it should be short, and we would merely be coming back to adjourn at this point.

So with that, we are in recess for the public meeting and going into executive session in five minutes.

(Whereupon, at 12:00 p.m., the meeting was recessed, to reconvene this same day, Thursday, June 14, 2012, following conclusion of the executive session.)

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MR. VANDERGRIFF: It is approximately 12:43 p.m. in the afternoon on June 14, 2012, and the Board of the Texas Department of Motor Vehicles is now in open session. We want to note that no action was taken in closed session.

Before we adjourn the meeting, I do want to provide Ms. Flores with the opportunity for a quick comment.

MS. FLORES: Just one remark. Yesterday the chairman and I attended an event, a workshop by participants that had taken all the many recommendations from the first survey of employee engagement, and we had 18 participants who looked at all of those recommendations and they identified three projects that they took on, compiled data and have come up with some recommended implementation for the agency. And those participants are upstairs on the second floor in the Houston Conference Room, so we invite you to go up there and just kind of look to see what the employees have come up with.

MR. VANDERGRIFF: And it will not take you long but it's well worth your while to do that. They've done a nice job, and I think they would appreciate seeing you, so

1	if you have the opportunity, please do that.
2	With that, I'd be pleased to entertain a motion
3	to adjourn.
4	MR. INGRAM: Move to adjourn.
5	MR. VANDERGRIFF: Motion from Member Ingram.
6	Do we have a second?
7	MS. JOHNSON: Second.
8	MR. VANDERGRIFF: Second from Member Johnson.
9	Please raise your right hand in support.
10	(A show of hands.)
11	MR. VANDERGRIFF: The motion passes
12	unanimously. We are adjourned. Thank you for your
13	attendance.
14	(Whereupon, at 12:44 p.m., the meeting was
15	concluded.)

## CERTIFICATE

MEETING OF: TxDMV Board

5 LOCATION: Austin, Texas

DATE: June 14, 2012

I do hereby certify that the foregoing pages, numbers 1 through 95, inclusive, are the true, accurate, and complete transcript prepared from the verbal recording made by electronic recording by Nancy H. King before the Texas Department of Motor Vehicles.

06/19/2012 (Transcriber) (Date)

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